



**ELECTRIC UTILITY COMMISSION
MINUTES OF THE SPECIAL-CALLED MEETING – Approved 11/14/2011
ON OCTOBER 20, 2011**

The Electric Utility Commission (EUC) convened in a special-called meeting in the Shudde Fath Conference Room at 721 Barton Springs Road in Austin, Texas, to review and discuss the development of Electric Rate Recommendations for Submission to City Council.

- 1. Call to Order** – Phillip Schmandt, Chair, called the meeting to order at 6:00 p.m. Commissioners in attendance: Phillip Schmandt, Chair; Linda Shaw, Vice Chair; Gary ‘Bernie’ Bernfeld, Barbara Day, Shudde Fath, and Stephen Smaha. Dr. Michael E. Webber was not present at the Call to Order, but arrived shortly afterwards. Staff in attendance: Larry Weis, Elaine Hart, Ann Little, Mark Dreyfus, Rusty Maenius, Kerry Overton, Jamie Mitchell, Jeff Vice, Marie Hernandez, Don Judd, Drusilla Saenz, Beverly Bonevac, Alicia Loving, and Toye Goodson Collins.
- 2. Approval of Minutes** – Approval of Minutes of the October 17, 2011 meeting were postponed to the next meeting.
- 3. Citizen Communications** – The following persons addressed the Commission regarding the review of electric rates: Paul Robbins, Robert Winovitch (Lake Travis ISD), Nicole Conley Abram (AISD), Dr. Kelly Crook (Del Valle ISD), Larry Keiser (Eanes ISD), Micah Jasuta, Lanetta Cooper (Texas Legal Services Center), Carol Biedrzyski (Texas ROSE), Bill Oakey, and Kathy Stark (Austin Tenants Council).
- 4. Discussion and Q&A with Austin Energy and/or Independent Residential Rate Advisors** – Commissioners discussed and asked questions about rate classes for schools. Commissioner Day initiated discussion on how recommendations will be submitted to City Council. Chair Schmandt suggested submitting recommendations in the form of the Decision Point List with a column for minority opinions. Commissioners Fath and Day expressed the need for an impact study on the Commission’s recommendations. Commissioners discussed reviewing Austin Energy’s recommendation prior to presentation to City Council at a special-called meeting. General Manager Larry Weis explained that the utility is bound by the Council’s resolution as it applies to these proceedings and he presumes City Council members will consult with Commissioners on the recommendations.
- 5. Discussion and Action regarding the Decision Point List** – On October 17, 2011, Commissioners voted on Issues 1-5 listed in the Decision Point List (DPL). The discussion began with Issue 6.

Issue 6: Consolidate Customer Classes. Motion by Chair Schmandt to “Concur but add new class for public schools which pay 95% of allocated costs and aggregate all meters at the location for single meter charge.” Following discussion, Schmandt amended his motion to state: “Concur but add new class for public schools who pay no more than 95% of allocated costs and provide relief to schools with multiple meters.” Seconded by Commissioner Smaha. After discussion and suggestions from Commissioners regarding specifics of the motion, Schmandt clarified his motion as “Concur, but add new class for public schools who will pay no more than 95% of allocated costs and provide relief to public school locations with multiple meters; and any subsidy for schools should be allocated to all customers on a per kWh basis.” **Motion passed on a 7-0 vote.**

Motion by Commissioner Fath to leave churches in the residential class unless they are above 20 kWh demand at which point they pay a commercial rate.” Seconded by Commissioner Bernfeld.

Commissioner Webber suggested that the motion be suspended for discussion during Issue 8. Commissioner Fath withdrew the motion.

Issue 7: Update Rate Structure for Residential Customers. Motion by Commissioner Fath to delete the electric delivery charge from Issue 7. Seconded by Vice Chair Shaw. **Motion failed on a 3-4 vote with Commissioners Bernfeld, Schmandt, Smaha, and Webber voting no.** Motion by Commissioner Fath to remove the electric delivery charge and energy adjustment from Issue 7. Chair Schmandt suggested that she make two separate motions. Motion by Commissioner Fath remove the electric delivery charge from Issue 7. Seconded by Vice Chair Shaw. **Motion failed on a vote of 3-4 with Commissioners Bernfeld, Schmandt, Smaha, and Webber voting no.** Commissioners agreed to revisit removal of the energy adjustment during discussion on Issue 9.

At 7:00 p.m., Commissioners agreed to a 10-minute recess.

Motion by Chair Schmandt to concur with Austin Energy on Issue 7, as is written in the draft DPL, “It is necessary to unbundle rates in order to fully achieve the benefits of a utility company that does not depend on the sale of energy to recoup its fixed costs. Once the business model is shifted in this manner, the utility will have less incentive to promote the sale of additional energy and will have more incentive to encourage both energy efficiency and distributed generation. It is this type of change that will allow AE to preserve its role as a leading innovator in the electric utility industry. There will never be a “good” or “easy” time to make such a change, so we may as well do it now—those who follow us will thank us for having the courage to make this change so they may reap the benefits later. We cannot today fully anticipate what benefits may be unleashed from such a fundamental change in the utility’s business model, but we can expect them to be profound, especially if they trigger growth in distributed generation.” Seconded by Commissioner Webber.

Substitute motion by Commissioner Fath that the electric delivery charge be assessed to residential rate payers on a kWh basis rather than a fixed dollar amount. Seconded by Commissioner Bernfeld. **Substitute motion failed on a 3-4 vote with Commissioners Bernfeld, Schmandt, Smaha, and Webber voting no.**

Motion by Chair Schmandt (above) passed on a 4-3 vote, with Commissioners Day, Fath and Shaw voting no.

Issue 8: Update Rate Structure for Commercial and Industrial Customers. Motion by Commissioner Fath to start demand charges at 20 kW rather than at 0 or 1 for commercial rate payers. Seconded by Commissioner Webber. Chair Schmandt suggested that Commissioner Fath's motion be applied to DPL Issue 19. Commissioner Fath agreed to reintroduce her motion at that time.

Motion by Commissioner Bernfeld to concur with Austin Energy, reiterating the EUC response on Issue 7 above. Seconded by Commissioner Schmandt. **Motion passed on a 6-1 vote with Commissioner Day voting no.**

Issue 9: Update Fuel and Energy Market Costs Recovery Mechanism. Motion by Commissioner Fath to remove the fuel charge from the energy charge and leave it as it currently is, as a separate item on the bill (includes fuel costs and purchase power). Chair Schmandt asked for clarification of the motion upon which Fath reworded her motion. Motion by Commissioner Fath to accept the EUC recommendation as stated in the DPL by Schmandt, Smaha, and Webber, with the caveat that the energy adjustment be deleted from Issues 7, 8, and 9. Seconded by Commissioner Day. **Motion passed on a 7-0 vote.**

Issue 10: Apply Regulatory Charge. Motion by Commissioner Bernfeld to accept the draft proposal by Commissioners Schmandt, Smaha and Webber, concurring with Austin Energy and the Residential Rate Advisor's suggestion. Seconded by Commissioner Webber. Commissioners also recommended that funds received for this program be spent on this program with annual reconciliation. Seconded by Commissioner Webber. **Motion passed on a 6-1 vote with Commissioner Day voting no.**

Issue 11: Apply Community Benefit Charge. Motion by Commissioner Webber to accept the concurrence as proposed in the DPL by Commissioners Schmandt, Smaha and Webber. Seconded by Chair Schmandt.

After discussion, Commissioner Webber reworded the motion to accept Issue 11 language with the caveat that Issue 3 be revised to reflect that lighting be at 100% of cost of service. Seconded by Commissioner Smaha. **Motion passed on a 6-1 vote with Commissioner Day voting no.** Following further discussion, Commissioners agreed to separate issues 3 and 11 in the previous motion and vote again. Motion by Commissioner Webber to revise Issue 11 as written in the DPL. Seconded by Commissioner Smaha. **Motion passed on a 6-1 vote with Commissioner Day voting no.**

Motion by Commissioner Webber to revise Issue 3 to set lighting at 100%. Chair Schmandt made a friendly amendment to revise the recommendation as “see Issue 2 above, but that lighting should be at 100%.” Seconded by Commissioner Smaha. **Motion passed on a 7-0 vote.**

Motion by Commissioner Webber is revised to concur with Austin Energy but designate energy efficiency as Energy Savings Fund. Also, by ordinance, funds received for this program must be spent on this program with annual reconciliation and a designated percentage must be allocated to low-income weatherization/energy efficiency. Seconded by Commission Smaha. **Motion passed on a 6-1 vote with Commissioner Day voting no.**

Issue 12: Update Summer Rate Period. Motion by Commissioner Bernfeld to concur with Austin Energy. Seconded by Commissioner Fath. **Motion passed on a 7-0 vote.**

Issue 13: Apply Residential Customer Charge. Motion by Commissioner Fath to have a residential customer charge of \$10 tied together with a minimum bill of \$20 on each and every residential customer—\$20 minimum regardless if they ever flip a switch. There was no second or vote. Following discussion, Chair Schmandt moved to concur with the Residential Rate Advisor on the \$12 customer charge with additional fixed charges recovered via line extension and hook-up fees, and the remainder on a volumetric basis. Seconded by Commissioner Smaha. **Motion passed on a 6-1 vote, with Commissioner Day voting no.**

Issue 14: Apply Residential Electric Delivery Charge. Motion by Commissioner Fath to oppose any residential electric delivery charge. Seconded by Commissioner Day. **Motion failed on a 3-4 vote with Commissioners Bernfeld, Schmandt, Smaha and Webber voting no.**

Motion by Chair Schmandt to concur with Austin Energy. Seconded by Commissioner Webber. **Motion passed on a 4-3 vote with Commissioners Day, Fath and Shaw voting no.**

Issue 15: Implement Residential Inclining Block Tiered Rate Structure for Energy Charge. Motion by Commissioner Fath to concur with Austin Energy. Seconded by Commissioner Bernfeld. **Motion passed on a 7-0 vote.**

Issue 16: Fund Customer Assistance Program. Motion by Chair Schmandt to concur with Residential Rate Advisor and, in addition, residential users above 2,500 kWh in a month should

pay \$3 that month. Seconded by Commissioner Webber. **Motion passed on a 5-2 vote with Commissioners Day and Fath voting no.** [Commissioner Fath later requested her vote be reflected as yes.]

Issue 17: Apply Commercial and Industrial Customer Charge. Motion by Chair Schmandt to concur with the Residential Rate Advisor who concurs with Austin Energy. Seconded by Commissioner Smaha. **Motion passed on a 7-0 vote.**

Issue 18: Apply Commercial and Industrial Electric Delivery Charge. Motion by Commissioner Webber to concur with Austin Energy. Seconded by Commissioner Smaha. **Motion passed on a 6-1 vote, with Commissioner Day voting no.**

Issue 19: Apply Commercial and Industrial Demand Charge. Motion by Commissioner Fath to concur with Austin Energy, but demand charges are implemented only at 20 kW or higher. Seconded by Chair Schmandt. **Motion passed on a 7-0 vote.**

Issue 20: Apply Power Factor Adjustment for Commercial and Industrial Customers. Motion by Commissioner Fath to concur with Austin Energy, but demand charges are implemented only at 20 kW or higher. Seconded by Commissioner Webber. **Motion passed on a 7-0 vote.**

Issue 21: Implement Time-of-Use Alternative Rates. Motion by Commissioner Bernfeld to concur with Austin Energy. This is not perfect, but adequate for a pilot. Final decisions should await results from this pilot and Pecan Street Project experiments. Seconded by Commissioner Fath. **Motion passed on a 7-0 vote.**

Issue 22: Update Renewable Energy Alternative Rate (GreenChoice®). Motion by Commissioner Webber to concur with the Residential Rate Advisor and disagree with Austin Energy. Seconded by Commissioner Smaha. **Motion passed on a 7-0 vote.**

Issue 23: Residential Solar Rate (replaces the net metering rate proposal). Motion by Chair Schmandt that Austin Energy should offer gross metering and net metering plans to be selected by the customer with net metering customers charged the full fixed cost without subsidies and the rates to be developed and proposed by Austin Energy. Seconded by Commissioner Smaha. **Motion passed on a 7-0 vote.**

Issue 24: Update Thermal Energy Rate Option. Motion by Commissioner Bernfeld to concur with Austin Energy. Seconded by Chair Schmandt. **Motion passed on a 7-0 vote.**

Issue 25: Plan for Pricing Pilot Projects with Pecan Street Project. Motion by Commissioner Bernfeld to concur with Austin Energy and the Residential Rate Advisor. Seconded by Commissioner Smaha. **Motion passed on a 7-0 vote.**

Issue 26: Plan for Future Pricing of Long-Term Contract Customers. Motion by Commissioner Bernfeld to concur with Austin Energy's recommendation and the Residential Rate Advisor. Commissioner Bernfeld amended his motion to concur with the Residential Rate Advisor. Seconded by Commissioner Webber. **Motion passed on a 7-0 vote.**

Issue 27: Adopt Residential Option "A". Motion by Commissioner Fath to recommend Option B with slightly steeper tiers and other changes the Commission has made. Commissioner Fath amended her motion to recommend Option B with the earlier modifications made to the Decision Points List by the Commission. Seconded by Commissioner Bernfeld. **Motion**

resulted 3-1-3 tie vote, with Commissioner Bernfeld abstaining and Commissioners Schmandt, Smaha, and Webber voting no.

Motion by Chair Schmandt to request that Austin Energy present to the EUC, in addition to its own recommendations, Options A and B, as modified by the recommendations of the EUC, prior to presenting to the City Council. Seconded by Smaha. **Motion passed with a 7-0 vote.**

Motion by Chair Schmandt that subject to review of the presentation made by Austin Energy pursuant to the prior motion, recommend Option A with a stated goal to adopt Option B within five years. Seconded by Commissioner Smaha. **Motion passed on a 4-3 vote, with Commissioners Day, Fath and Shaw voting no.**

6. **Discussion and Action on Recommendations for Austin Energy's Rate Redesign** – The Commission requested that Austin Energy circulate an updated draft of the Decisions Point List showing the majority view, with Commissioner Day's recommendations and comments as previously included, to the EUC by October 25 for review. Commissioners expressing the minority view or dissenting votes may provide their recommendations and comments to Austin Energy by October 27. Austin Energy would then circulate an updated DPL to the EUC by October 28 before forwarding to Council on October 31.
7. **Adjourn** – Chair Schmandt adjourned the meeting at 9:40 p.m. without objection.